

2005 DRAFTING REQUEST

Bill

Received: **09/27/2004**

Received By: **rryan**

Wanted: **As time permits**

Identical to LRB:

For: **Administration-Budget**

By/Representing: **Blaine**

This file may be shown to any legislator: **NO**

Drafter: **rryan**

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Addl. Drafters:

Subject: **Health - miscellaneous**

Extra Copies: **DAK**

Submit via email: **NO**

Pre Topic:

DOA:.....Blaine, BB0012 -

Topic:

Senior Care 5% Rate Enhancement

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
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FE Sent For:

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<END>

2003-05 Budget Bill Statutory Language Drafting Request

- Topic: SeniorCare 5% Rate Enhancement
- Tracking Code: (Assigned by Government Operations Team)
- SBO team: Health and Insurance
- SBO analyst: Robert Blaine
 - Phone: 7-7980
 - Email: robert.blaine@doa.state.wi.us
- Agency acronym: DHFS
- Agency number: 435

Eliminate the SeniorCare 5% Drug Reimbursement Enhancement

Current Language

Under 49.688(1)(e) the SeniorCare reimbursement rate for brand name drugs is defined as the Medicaid rate plus 5%.

Proposed Change

Eliminate the requirement that the SeniorCare reimbursement rate for drugs be 5% higher than the Medicaid reimbursement rate for drugs.

Effect of the Change

The SeniorCare reimbursement for drugs would be the same as the Medicaid reimbursement for drugs.

Rationale for the Change

Wisconsin Medicaid reimburses the average wholesale price (AWP) minus 13% for brand-name drugs or a Maximum Allowed Cost (MAC) for generics. Drugs prescribed under the SeniorCare program are reimbursed at the Medicaid rate plus 5%. In addition to the reimbursement for the drug cost, pharmacies also receive a dispensing fee of \$4.38 for most drugs.

Two studies of Wisconsin pharmacy data and recent information indicate actual acquisition costs of name brand prescription drugs by pharmacies is between AWP -17.5% and AWP - 21.5%. The first study completed by the United States Office of the Inspector General (OIG) found the actual acquisition cost to pharmacies for single source innovator drugs (name brand) is AWP - 17.2%. A second study by the University of Wisconsin School of Pharmacy and pharmacy professor Dr. David Kreling found the actual acquisition cost to pharmacies for single source innovator drugs is AWP - 17.5%.

In addition to the two studies, new drug pricing information was recently made available from a leading national pharmacy wholesaler. The organization, Independent Pharmacy Cooperative (IPC), supplies Wisconsin pharmacies through the groups national pharmacy buying organization - located in Sun Prairie, Wisconsin. The IPC buying group is open to any

independent retail pharmacy or small chain. As of March 2003, IPC's price list for the top 300 drugs shows the average IPC price is AWP - 21%.

Large chain pharmacies, hospitals and nursing home pharmacy providers, while not eligible to belong to IPC, have even greater advantages in pooling pharmacy purchasing. An earlier study by the Health and Human Services Office of the Inspector General (OIG) in August 2001 found that these non-traditional pharmacies pay on average 26.81% less than AWP.

The SeniorCare 5% enhancement provides a reimbursement that exceeds the pharmacies actual acquisition costs. Eliminating the enhancement will be more cost effective and consistent with private market rates. This change is estimated to save \$4,621,700 AF (\$2,178,700 GPR) in FY06 and \$7,052,700 AF (\$3,134,200 GPR) in FY07. This assumes a start date of October 1, 2005.

Desired Effective Date:	Upon Passage of the Budget Bill
Agency:	DHFS
Agency Contact:	Curtis Cunningham
Phone:	266-5362



State of Wisconsin
2005 - 2006 LEGISLATURE

LRB-03142 ✓

RLR:..... jld

SOON
In 10/4/04

RMR

DOA:.....Blaine, BB0012 - Senior Care 5% Rate Enhancement

FOR 2005-07 BUDGET -- NOT READY FOR INTRODUCTION

D-note

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1 AN ACT ...; relating to: the budget. ✓

Analysis by the Legislative Reference Bureau

HEALTH AND HUMAN SERVICES ✓

* **OTHER HEALTH AND HUMAN SERVICES** ✓

Under current law, DHFS reimburses pharmacists and pharmacies for prescription drugs purchased by persons enrolled in Senior Care, a prescription drug assistance program for low-income elderly persons. The reimbursement rate is equal to 105 percent of the prescription drug reimbursement rate under the Medical Assistance (MA) program, plus a dispensing fee, and minus a copayment paid by the Senior Care enrollee.

This bill reduces the reimbursement rate under Senior Care to 100 percent of the prescription drug reimbursement rate under MA, plus the dispensing fee, and minus the copayment.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

2 SECTION 1. 49.688 (1) (e) of the statutes is amended to read: ✓

49.688 (1) (e) "Program payment rate" means the rate of payment made for the identical drug specified under s. 49.46 (2) (b) 6. h., ~~plus 5%~~, [✓] plus a dispensing fee that is equal to the dispensing fee permitted to be charged for prescription drugs for which coverage is provided under s. 49.46 (2) (b) 6. h.

History: 2001 a. 16, 109; 2003 a. 33.

SECTION 9321. Initial applicability; health and family services.

(1) PRESCRIPTION DRUG ASSISTANCE REIMBURSEMENT RATE. The treatment of section 49.688 (1) (e) of the statutes first applies to reimbursement for prescription drugs purchased on October 1, 2005.

(END)

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-0314/1dn

RLR:.....

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JL

Robert Blaine,

The DHFS drafting instructions for the elimination of the Senior Care five percent rate enhancement state that the estimated savings assume an October 1, 2005, start date, so I made the new reimbursement rate first apply to prescription drugs purchased on October 1, 2005. Does DHFS want this initial applicability provision in the draft?

Robin Ryan
Legislative Attorney
Phone: (608) 261-6927
E-mail: robin.ryan@legis.state.wi.us

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-0314/1dn
RLR:jld:rs

October 11, 2004

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State of Wisconsin
2005 - 2006 LEGISLATURE

LRB-0314/1

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